Influence of free silver on wages

New York

1896

98-84348-10
MASTER NEGATIVE #

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ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD


Influence of free silver on wages.
New York commercial, New York, 1896.
16p. 18cm.

Vol. of pamphlets.

Only Ed



## TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 9:1 IMAGE PLACEMENT: IA IIA IB IIB

DATE FILMED: 2/26/98 INITIALS: F.C.

TRACKING # : 31278

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

# Influence of Free Silver on Wages.*

* Reprinted from the New York COMMERCIAL AND FINANCIAL CHRONICLE of August 1, 1896.

# *INFLUENCE OF FREE SILVER ON WAGES.*

While free silver coinage in this country, under the plan now proposed by one of the great political parties, would be disastrous in many ways, it would work to the especial detriment of the laboring people. That numerous class of our population, and in fact every man (or woman either) who works for wages, or gets a salary, or receives a fixed stipend for his services, has everything to lose, and absolutely nothing to gain, from the success of the free silver movement. To these wage-earners, struggling to meet their daily wants, the risks involved in free silver coinage are enormous—the prospect of advantage from it, nil.

## THE ARGUMENT FOR FREE SILVER.

Upon what does the argument in favor of free coinage rest? The argument is, that during the last twenty or twenty-five years there has been a great decline in the prices of all commodities and products, that this decline has worked immense injury to the producers, that the cause of the decline is to be found in the demonetization of silver, and hence that by reinstating silver to its former position as a money metal the old prices and the old conditions can be

brought back, to the relief of the agricultural classes. The argument, then, is simply an argument in favor of higher prices. So far as the laboring man is concerned this means that he would have to pay more for everything he has to buy—more for his food, his drink, his clothes, his rent, and all the other things necessary to his comfort and existence; in brief, it means that his dollar would go only one-half to three-quarters as far as it now does.

SILVER FREE COINAGE MEANS SILVER MONO-METALISM.

We shall not in this article undertake to discuss the question whether the producer in this country under the policy proposed of free coinage by the United States alone would realize the advantages he so fondly dreams of. What bimetalism under an agreement with the leading nations of the world might accomplish is obviously one thing; what silver mono-metalism in this country would lead to is quite as obviously another thing. We shall reserve discussion of this point for a future occasion, and will merely say now that free silver coinage, under the plan promulgated at Chicago—that is, "without waiting for the aid or consent of any other nation"—can result only in silver mono-metalism, pure and simple.

SILVER DOLLAR WOULD DROP TO ITS BULLION VALUE.

The question thus comes up, how will silver mono-metalism affect the prices of the things that the laboring man has to buy. Leaving out of consideration altogether the effect on exclusively domestic products, there can be no question that in the case of all imported articles and commodities prices would immediately reflect the change—that is, price as expressed in depreciated silver dollars would be materially higher than as quoted in gold. The bullion value of the silver dollar at present is only 53 or 54 cents, but the dollar is kept at parity with the gold dollar because all kinds of money exchange freely with one another and because the United States Government stands ready to redeem the Treasury notes and legal tenders in gold on demand. But under free coinage the different kinds of money would no longer freely exchange with one another, and the Government would no longer ensure their convertibility in gold. Having lost the power of redemption in gold, the silver dollar would at once sink to the level of its actual value. Instead of buying 100 cents worth of things in gold, it would buy only 53 cents worth, or 60 cents worth, or whatever the bullion value of the silver in the dollar was at the time. In international transactions the silver dollar would then be taken the same as the silver money of China, India, Japan or Mexico—at its intrinsic value in gold.



GOLD THE STANDARD IN FOREIGN TRADE.

Gold would of course remain the standard of values in the foreign trade, since it is the standard of all the great civilized nations—England, France, Germany, etc. Hence everything we bought abroad would still have to be paid for on a gold basis, the same as now, and prices in silver would rise to correspond with the difference. This statement applies even as regards imports

coming from countries having a silver currency. Our dealings with them have been on a gold basis, but they, being on a silver basis, have been getting a very much higher price as expressed in that metal. With a silver standard in the United States our position would simply accord with theirs—we would be giving the silver equivalent just as they have been receiving the silver equivalent.

### PRICES OF ALL IMPORTED ARTICLES WOULD NEARLY DOUBLE.

If we apply this reasoning and these facts to our foreign trade situation, we see at once that under free silver the work people would have to pay very much higher prices for a great many of the things they need for their welfare and subsistence. For instance, the coffee we imported in June cost us an average of 14·4 cents a pound in gold. With the country on a silver basis, and the silver dollar worth only 53 cents, the price would be 27 cents. In like manner the crude India rubber we imported in the same month cost an average in gold of 42·8 cents; on a silver basis we would have to pay an average of over 80 cents. Raw sugar, instead of costing 2·4 cents a pound, as in June, would cost over 4½ cents a pound in silver.

### AN ILLUSTRATION SHOWING THE EFFECT ON PRICES OF A DEPRECIATED CURRENCY.

We had an excellent illustration three years ago to show the great difference between prices quoted in a depreciated currency and prices based on the gold standard. When the present Chief of the Bureau of Statistics, Mr. Worthington C. Ford, assumed the duties of his office in 1893, he noticed that a good many articles of imports coming from countries having a depreciated currency were being entered at very much higher prices than those quoted in the markets of this country. As one example, coffee from Brazil appeared to be costing the importer 30 cents a pound, while the price in New York of the same grade of coffee was only about 15 or 16 cents a pound. This led Mr. Ford to make an investigation, with the result that he found that the abolition of an old Treasury regulation, with the intention of avoiding unnecessary restrictions on trade, had relieved the consignors of the necessity of filing a currency certificate, and that hence they were reporting the consignments at their cost in the depreciated currency of the country from which the imports were being made. The money unit in Brazil is the paper milreis, worth when at par 54·6 cents. But this paper money had greatly depreciated so that the milreis had a value at that time of only about half its nominal worth.



The producer in Brazil was actually getting 30 cents a pound for his coffee, but he was getting it in the depreciated currency of his country. On the other hand the importer in the United States was paying only 15 cents a pound for the coffee, but he was paying for it in gold, this 15 cents in gold being the equivalent of the 30 cents in Brazilian paper money. As a result of the discrepancy referred to, it was estimated that the imports for the fiscal year ending June 30 1893

had been over-stated in the sum of $75,000,000, and an arbitrary reduction was made of that amount. The error extended to all countries having a depreciated currency and to a great variety of items, but the bulk of it occurred in the imports from Brazil and chiefly of coffee and India rubber. We refer to the incident to show how marked and wide may be the difference in values where a country has a depreciated standard and also to show what the laboring man in this country must expect in the way of higher prices should the United States by any chance be forced to a silver basis.

IMPORTED ARTICLES NOT CHIEFLY LUXURIES.

But perhaps it may be thought that the wage-earners need not give themselves much concern about the prices of imported goods—that the imports consist chiefly of articles of luxury. There could be no greater fallacy than such a notion. We imported in the fiscal year ending June 30 1896 no less than 797 million dollars worth of foreign goods and commodities, all valued in gold. And most of these were not articles of luxury at all, but articles of necessity—products and commodities which we either do not or can not raise in this country, and yet must have, or crude and raw materials without which many of our factories and many branches of industry could not be carried on at all. The details of the imports for the late fiscal year have just been published; for the twelve months to June 30 we find that the imports of coffee were $84,790,451, the imports of sugar $89,219,773, the imports of tea



$12,704,440, the imports of fruits and nuts, $19,033,772. These are all necessaries of modern life, and the cost of every one of them to the laboring man and to the whole population will be nearly doubled where payment has to be made in silver at its present price. Or take a few other articles: of hides and skins the imports were $30,520,177 ; of India rubber $16,781,533 ; of hemp, flax, &c., $12,870,694 ; of leather $6,098,005 ; of furs $9,303,398; of wood, &c., $20,567,967 ; of raw wool $32,451,242 ; of chemicals, drugs and dyes, $48,310,846. And this covers simply some of the larger items. The list might be extended almost indefinitely.

Thus it is seen how generally these foreign goods enter into everything that is needed in daily life and how general therefore would be the advance in prices under a silver standard, entirely independent of the advance which the agricultural classes so confidently count on in the prices of domestic products.

WAGES WOULD NOT RISE CORRESPONDINGLY.

It being hence evident that the cost of living would be materially increased, what inducements are held out to the laboring man to get him to give his adhesion to the free silver doctrines. Well, he is told that his wages will also advance. Disregarding the fact that in all the countries where the silver basis obtains the tandard of wages is exceedingly low, and granting for the sake of argument that wages in the United States would rise under free silver, the question occurs whether there is any reason to suppose that the advance would be in proportion to the general rise in prices. In

answer, it can only be said that all history proves that it would not. The experience of mankind demonstrates that where there is a depreciated currency the price of labor expressed in such currency responds more slowly than anything else to the general upward tendency. The reasons for this are perfectly plain, but it is not necessary to go into them.

### THE EXPERIENCE DURING THE CIVIL WAR.

A very convincing demonstration of the truth of the statement is offered in the experience of the United States itself during the Civil War, when our currency was on a paper basis. Secretary Carlisle brought this out very clearly in the capital speech he delivered before the labor organizations in Chicago last April. The figures used were derived from the comprehensive report of the Senate Finance Committee, which in 1893 made a very extended investigation into the subject of prices and wages, covering a period of fifty-two years. From a study of this report Mr. Carlisle found that in 1862 the wages of labor paid in depreciated currency were not quite 3 per cent higher than when paid in gold, but that the prices of 223 articles of daily consumption were nearly 18 per cent higher; in 1863 the wages of labor paid in paper money worth 69 cents on the dollar were 10½ per cent higher than when paid in gold, but the prices of the articles the laborer had to buy with his wages were nearly 49 per cent higher; in 1864 with the paper dollar worth 49 cents, wages had advanced 25½ per cent, but the prices of the necessaries



of life had advanced 90½ per cent; in 1865 with the paper dollar worth 63 cents, wages showed an advance of 43 per cent, but the prices of commodities an advance of 117 per cent, having thus more than doubled; in 1866 with the paper currency worth 71 cents on the dollar, wages indicated an advance of a fraction more than 52 per cent, and the prices of commodities an advance of 90 per cent. Mr. Carlisle points out that this was the result at a time when several hundred thousand laborers had been withdrawn from the field of competition, and when the Government was engaged in the prosecution of a great war, and was expending money lavishly for all kinds of supplies for the Army and Navy. He also notes that the rise in the rate of wages never corresponded with the rise in prices of other things until the year 1869, four years after the war, when the value of the paper dollar was 71 cents, and it was certain there would be no further depreciation in it.

### CONDITIONS LESS FAVORABLE FOR HIGHER WAGES UNDER FREE SILVER THAN DURING THE WAR.

If this was the experience under favorable conditions, what reason is there to suppose that the laborer would fare any better (if as well) under the decidedly unfavorable conditions which will prevail should the country descend to a silver basis? Consider the position of our manufacturers and business men under free coinage. We have seen that our imports are so varied and diversified that they enter as a constituent element into nearly all branches of trade—in many

cases they form the raw material which furnishes the basis of our home manufacturing industries. For these imported articles the manufacturer would have to pay in silver dollars at the ruling price for silver nearly double what he now pays in gold. This means that in order to make a profit he would have to sell his goods at materially higher prices than at present. Is it likely that at such a time he would be willing to undertake to still further increase the cost of his goods by marking up wages? Is it not certain that the tendency would be in the other direction; that is, to diminish the labor cost—not by reducing wages but by curtailing the force of employees.

Another thing should not be forgotten. The change of standards would for the time being produce industrial confusion. It would entail untold hardships and trials upon hundreds of thousands, and during the process of transition utter demoralization would prevail. Many businesses would undoubtedly be wiped out, because unable to stand the strain or unable to accommodate themselves to the change. With many others it would be a life and death struggle, with the chances about even whether they would survive or perish. In the case of establishments thus situated every employee who could possibly be spared would be discharged. Moreover, the general demoralization would lead to restriction everywhere—in both production and consumption. In brief, business would be kept within the smallest possible compass. As a result the army of unemployed would be vastly increased



and competition for employment be still further intensified.

HOW MUCH INCREASE PER DAY COULD THE LABORER COUNT ON?

Does the laborer suppose that at such a time and under such conditions it would be possible for him to obtain an advance in wages proportioned to the advance in the prices of commodities? With silver at its present figure the wage-earner ought under a silver standard to receive double what he now receives in order to maintain an equality with his existing condition. In other words, a man getting three dollars a day ought then to get six dollars. Does any intelligent mechanic, operative or clerk imagine that such a wage-earner would actually receive six dollars? Does he think that he could obtain five dollars? Does he believe that under the conditions mentioned he would receive even four dollars? If he stops to think and recalls what a struggle it has been hitherto to obtain an addition of but fifty cents a day, will he not have doubts as to whether the laborer could count on getting as much as three dollars and a half or even three dollars and a quarter? Of course the silver advocates contend that the effect of the free coinage of silver by the United States will be to raise the price of silver and restore at once the old value of the metal, thus enhancing its purchasing power again. But they made the same claim when the 1890 law was passed providing for the purchase substantially of the country's entire annual silver product; yet the price of the metal dropped lower than before.

WAGE EARNER TAKES ALL THE RISKS

What then is the outlook for the wage earner under free silver ? He would have to pay in silver from fifty to one hundred per cent more than he now pays in gold for practically everything that he needs, while at the same time he could feel no certainty that his wages would be much, if any, higher in silver than they are now in gold. Grant that after a long term of years the equilibrium might again be restored, he would even then have gained nothing—he would simply have got back to his present position of advantage ; that is, his wages would have been increased sufficiently in silver to make them equal to their present amount in gold. In the meantime he would have been obliged to incur all the risks and losses attending the carrying-out of the free silver policy.

EFFECT ON SAVINGS ACCUMULATIONS AND LIFE INSURANCE POLICIES.

There is another particular in which free silver would operate to the wage-earners' disadvantage. If he is of frugal habits he has saved up a few hundred dollars and put the money in a savings bank. Under free silver these accumulations will be reduced about one-half in their gold value, the depositor getting in return for what was worth one hundred cents in gold at the time of deposit, a silver dollar worth only 53 cents. What compensation does free silver hold out to him for this loss ? Absolutely none. Very likely, too, he has a small life insurance policy taken out to make provision for his family in the contingency of his



death. He has been paying the premiums on this policy for years, always feeling that those dependent on him would be well taken care of, at least for a time, through this little fund, after he had passed away. Now he finds that the allowance is to be cut down one-half. In this case, too, free silver offers him no equivalent for his loss.

WHICH DOES THE LABORER PREFER, AN APPRECIATED OR A DEPRECIATED DOLLAR ?

We know that it has latterly been attempted to shift the burden of the argument by calling the gold dollar a 200-cent dollar, and saying that the real, the 100-cent dollar, is the silver dollar. Without at all accepting that definition, it is pertinent to ask whether the laborer would not rather have his pay, his savings and his insurance money in a 200-cent dollar than in a 100-cent dollar ?

WAGE-EARNERS EVERYTHING TO LOSE, NOTHING TO GAIN, FROM FREE SILVER.

We repeat, therefore, what we said at the outset, that the wage-earners have everything to lose and nothing to gain from an endorsement of the free-silver policy. It has been one of the inestimable advantages of the material development of the country since the resumption of gold payments in 1879 that the laborer has been able to maintain his old rate of pay, and even to increase it in a great many cases—either directly or through a reduction in the hours of labor—while the purchasing power of the dollar in which he was being paid was being steadily enhanced. Given

full employment (and this will come just as soon as doubt regarding the maintenance of the existing gold standard is removed) the laborer is to day better off than at any previous time. It is inconceivable that he will throw away, by embracing the free silver heresy, all that he has gained through hard struggle during the last quarter of a century.

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